

MINUTES OF THE REGULAR MEETING  
OF THE HOUSING AND COMMUNITY DEVELOPMENT  
CORPORATION OF HAWAII  
HELD AT THEIR OFFICE AT 677 QUEEN STREET  
ON THURSDAY, JULY 21, 2005,  
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Housing and Community Development Corporation of Hawaii met for a regular meeting at 677 Queen Street, on Thursday, July 21, 2005 at 9:45 a.m.

The meeting was called to order by Vice Chairman Charles King and, on roll call, those present and absent were as follows:

CALL TO  
ORDER/  
ROLL CALL

PRESENT: Director Charles King  
Designee Rick Manayan  
Designee Henry Oliva  
Director Linda Smith  
Director Travis O. Thompson

Executive Director Stephanie Aveiro

EXCUSED: Director Francis L. Jung  
Director Charles Sted

Staff Present: Sandra Ching, Deputy Attorney General  
Pamela Dodson, Executive Assistant  
Clifford Laboy, Special Assistant  
Janice Takahashi, Chief Planner  
Jeanne Hamilton, Planner  
Marilyn Labayog, Proper Management Branch Administrator  
Mike Hee, Contract Administrator  
Patti Miyamoto, Acting Administrative Services Officer  
Darren Ueki, Finance Manager  
Dean Sakata, Finance Specialist  
Marcia Kamiya, Sales Coordinator  
Tom Otake, Acting Housing Development Section Chief  
Stan Fujimoto, Housing Development Specialist  
Chris Sadayasu, Housing Development Specialist  
Leonell Domingo, Housing Development Specialist  
Edmund Morimoto, Construction Management Section Chief  
Shirley Higa, Board Secretary

Others: Bill Woods  
Jory Watland  
Keith Kato

The Vice Chairman declared a quorum present.

QUORUM

Director Thompson moved, seconded by Director Smith

APPROVAL  
OF  
MINUTES -  
6/16/2005

That the minutes of the Regular Board of Directors Meeting held on June 16, 2005 be approved as circulated.

The motion was unanimously carried.

Executive Director Stephanie reported on the following highlights of the month:

OFFICE  
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DIRECTOR  
REPORT

- The Real Estate Assessment Center (REAC) scores should show an improvement from the past year;
- Bill Thurston, Director of Capital Funds of the U.S. Department of Housing and Urban Development (HUD) had suggested that the demolished projects such as Lanakila Homes be condemned by the County of Hawaii which would enable the community and the County to determine the future of the site.
- Met with the Villages of Kapolei Association (VOKA) who indicated that they would like to have more responsibility in the future of Kapolei. VOKA will prepare an exit plan that would have HCDCH gradually relinquish its responsibilities in Kapolei to VOKA.
- Discussions with the City & Country of Honolulu (City) regarding the Section 8 program transfer have ended as the City was not able to consider a transfer until 2007 or later. Both agencies have agreed to work together and have its work identical which would streamline a future transfer should one occur.

Director Thompson asked what were the comparisons between the two agencies.

Ms. Aveiro answered that approximately 3,000 Section 8 vouchers to process was almost the same for each agency. However, the number of personnel responsible for these vouchers was approximately 63 employees by the City as compared to 17 employees by HCDCH. Ms. Aveiro further stated that the 17 HCDCH employees are on a limited term basis and not permanent civil service like the employees of the City. This results in a high turnover of employees from HCDCH who often transfer to the City due to the permanent civil service status of their positions.

Ms. Aveiro added that since the transfer of the program to the City will not be in the near future, upgrading the facilities, computer software and equipment for the employees who administer the Section 8 program will begin. In the proposed reorganization, Section 8 will become a Branch in itself and no longer an office of Property Management & Maintenance Branch.

Director Thompson asked that the Board be provided with a detailed plan as to how staff intends to accomplish the changes within the program.

Director Smith referred to the condemnation of Lanakila Homes which could be executed by the State rather than by the County of Hawaii. Ms. Aveiro stated that staff would follow up on this suggestion with HUD to see if this can be done.

Director Thompson also asked how many units are actually vacant of the 740 units reported in the vacancy report as there are units that are set aside for condemnation and/or relocation.

Ms. Aveiro stated that staff is changing its vacancy report to reflect the true number of vacancies noting that from December 2004 to May 2005, approximately 400 vacant units were filled but not reflected in the report. Director Thompson encouraged staff to change its reporting to accurately reflect staff's progress in filling the vacant units.

Director Smith suggested that staff pre-qualify prospective tenants for anticipated rentals such as the 28 newly renovated units in Lanakila Homes IV which would eliminate any time lapse when units become available.

Ms. Aveiro stated that of the 5,363 units, 4,623 are currently occupied, in addition to units that are targeted for capital improvements, demolition, or held in abeyance for housing of current tenants who need to relocate for major repair work. The number of vacant units constantly changes as units become available and/or eliminated for various reasons. As an example, Ms. Aveiro cited 130 units of the Waimaha Sunflower project which just became available due to the completed modernization of the project.

Director Thompson asked when units are demolished, if the vacant number of units decrease proportionately. Ms. Aveiro stated that the number of demolished units are subtracted from the vacant units.

Vice Chairman King asked about the status of the Resident Board member. Ms. Aveiro stated that HUD has also expressed their concern about the matter. Staff is continuing to work with the Office of the Governor, Boards and Commissions Office and will include the Resident Advisory Board (RAB) in the selection process.

Compliance Officer Patti Miyamoto reported that as of July 21, 2005, 46 items of the targeted strategies have been completed. Contract for technical assistance has been executed to assist with the budget and accounting areas of HCDCH. This will then complete more items of the MOA. The consultant for the technical assistance will begin on July 25, 2005 and will provide assistance until September 15, 2005. The consultant will develop a plan to implement project-based accounting as well as development of standard operating procedures for staff to follow.

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As the agency moves forward to project based management, the allocation plan was deleted from the MOA as it is no longer applicable.

Ms. Miyamoto further reported that HUD has approved the budget and HUD has indicated that the agency should focus on Tenant Accounts Receivables, work orders and unit turnarounds. The current unit turnaround time is 187 days as compared to 210 last year. Work orders have decreased to 26 days for non-emergencies; the targeted goal for this area is 25 days. Ms. Miyamoto noted that HUD has recently been very responsive in providing feedback to HCDCH regarding the MOA.

Ms. Aveiro added that in a recent meeting with Michael Flores of HUD, Mr. Flores indicated that the performance by HCDCH has vastly improved and it should no longer be considered an agency that may be headed toward receivership. Discussion about ending the MOA has led Ms. Aveiro to believe that the MOA may be replaced with a Memorandum of Understanding (MOU) identifying five areas that HCDCH needs to focus on.

Ms. Aveiro continued that HUD is amenable to ending the Corrective Action Order (CAO) of 2002. An MOU that would clarify the role of HCDCH as it relates to procurement issues will be done resulting in closure to the CAO.

Director Thompson suggested that a draft MOU by HCDCH, which would include the areas that need to be focused by the agency, be provided to HUD beforehand to end the MOA. Ms. Aveiro stated that it might be possible to develop one document that would address both the MOU and the CAO. Staff will pursue this alternative.

Director Smith commended staff for their success in closing out 46 items noting the amount of time and effort on staff's part to accomplish this. Director Smith further noted that two areas that have not had shown any completion thus far are the property maintenance and management information system (MIS) areas.

Ms. Miyamoto stated that since the fiscal year ended in June 2005, HUD is awaiting the agency's numbers regarding property maintenance areas such as work orders and vacant unit turnaround. Despite an improvement, HCDCH will likely receive zero points out of a possible of four (4) points for vacant unit turnaround which is why an MOU has been discussed.

Regarding the MIS, staff will not be able to meet the deadline. Although some reports have been completed for certification, there is still much more work that needs to be done.

Ms. Aveiro added that in the beginning there was little contact with the software consultant as compared to the present where they meet with staff on a regular basis. There were initial problems in making payment to the consultant for various reasons all of which have been resolved. The consultant is now providing the necessary services such as cleaning the data which led to the discovery that calculations were done incorrectly due to the wrong formula that was being used.

Ms. Miyamoto also commented that the MIS consultants plan to return in September 2005 to review the accounts receivables.

Ms. Miyamoto reviewed the basis of a troubled agency on the following factors:

- Physical;
- Financial;
- Management Operations; and
- Resident Services.

An agency is considered to be troubled and substandard should it either receive less than 60 points or be substandard in 2 of 3 areas (physical, financial or management operations).

HCDCH was substandard in financial and management operations for FY 2002-2003 and substandard in physical and management operations for FY 2003-2004. Staff is hopeful that it will be able to attain 72 points to remove itself from the troubled agency status.

Director Thompson expressed his pleasure at the progress that staff has made and asked when would the numbers be confirmed. Ms. Miyamoto answered that it will be transmitted to HUD in August for their review. Confirmation by HUD will be received sometime in March 2006. However by August 2005, the scores for management operations should be available which is a good indicator of what the final score will be.

Ms. Aveiro added that the scores reflect a year of training on the part of staff and that attention has been directed to areas that will affect the scores. Additionally there has been much effort by staff to ensure that the supporting documentation is included in the inspections for approximately 4,900 correct inspection forms that is necessary to obtain a passing score.

Chief Planner Janice Takahashi then reported on the Strategic Plan beginning with the goals for 2005. The major goal is to address the performance targets of the MOA by September 30, 2005. Another goal is to increase the affordable rental housing inventory by issuing Request for Proposals (RFP) for Villages of Kapolei, Uluwehi, and Crown Property as well as awarding of tax credits to encourage development of affordable rental units.

STRATEGIC  
PLAN

Ms. Takahashi also reported on the performance measures for each of the priority goals that have been identified in the Strategic Plan. A goal to improve the management of rental properties is measured by the number of vacancies and uncollected rents. Staff has learned that problems exist with the reporting of the number of vacancies for the federal public housing and may therefore delete the reporting of it in the Strategic Plan.

Ms. Aveiro added that in response to Director Thompson's request in providing vacancy reports, staff is improving its reporting and will be able to provide the newly developed ones in the very near future. Ms. Takahashi cited as an example the Hawaii Rental Housing System which are projects financed by the issuance of bonds. The vacancy rate goal for 2005 is 4.00%. The year-to-date vacancy rate is 3.78%; last quarter was 2.2%. This reporting mechanism will show the upward/downward trend of the vacancies for those projects.

In the reporting of the backlog of capital repairs, Director Thompson asked for the definition of Units Needing Extraordinary Maintenance for the 560 units in Federal public housing and the 153 units in State public housing. Ms. Aveiro stated that these units may be either have tenants residing in them awaiting to be relocated and/or vacant as the units are not habitable.

Director Thompson suggested that time goals should also be included as targeted goals for these type of units.

Director Smith noted that the units can be generally categorized as A, B and C with the A's and B's being fairly easy to repair and the C category being those with Extraordinary Maintenance. She asked if the Department of Accounting and General Services (DAGS) is still assisting the agency in the repairs and maintenance area of the A and B units.

Ms. Aveiro stated that DAGS is no longer assisting with the repairs. She noted that the number of A and B units is not a fixed number as it varies day-to-day. Ms. Aveiro further stated that federal funds to pay for the assistance from DAGS was allowed as this enabled HCDCH to set standards as required by HUD. Standards such as measuring the amount of manpower necessary to do repairs on fixtures such as toilets were then established. HUD will now allow HCDCH to have open-ended contracts with private contractors to do repair work in accordance with the standards established. Private contractors and the Department of Public Safety are resources that will be used to do the repairs as working with DAGS proved to be very efficient.

Ms. Aveiro noted that there are a lot of units in the C category as manpower from this was used to do the repairs of the A and B units. Although some of the C units were repaired if they were not entire floors, the time to repair the damages affected the data by adding the repair time. HUD is very understanding as long as the time can be justified.

Director Smith suggested that at the next Board meeting or in the near future, a discussion on the current maintenance plan, the resources to implement it, and possibly discussion on specific projects or categories and establish time lines for them.

Director Thompson added that there should also be a way to measure the amount of funds and time that may be required for each unit which would give a better understanding as to the magnitude of the problem to bring these units ready for occupancy. This option may be less costly than building new units and an option that should be pursued.

Ms. Aveiro stated that the information could be provided as the standards have been established. Director Thompson suggested that it be discussed at the August Board meeting even if it may not be in final format.

No report.	FINANCE SUBCOM- MITTEE
Director Thompson reported that the Audit Subcommittee will meet on August 10, 2005 to discuss the new audit process.	AUDIT SUBCOM- MITTEE
No report.	ORGANI- ZATION SUBCOM- MITTEE
Vice Chairman King reported that Chair Sted is continuing to gather facts from staff regarding the contents of the letter and will share it with the Subcommittee as it prepares to respond to the letter.	RESPONSE TO LETTER FROM SEN. DONNA MERCADO KIM
Bill Woods stated that he had requested a copy of the letter prior to the start of the Board's annual meeting since it was on the agenda for the Regular Board meeting. As a resident in Sen. Mercado Kim's area, he is interested as to how her letter impacts the community.	
Deputy Attorney General Sandra Ching asked Mr. Woods if he had made his request earlier in writing to which Mr. Wood responded that he had made the request to the Board's Recording Secretary earlier that day as it was on the agenda.	
Ms. Ching stated that pursuant to HCDCH's rules for the documents that Mr. Woods is requesting, needed to be made in writing and that HCDCH had a reasonable time to provide him the copies. However, Mr. Woods' verbal request will be accommodated at this time.	
Mr. Woods commented that the statement that the request had to be made in writing is not correct since the item is on the agenda and therefore should be made available to the general public immediately.	
Director Smith asked if the Chair is keeping Sen. Kim apprised of the work that is being done to respond to her letter. Recording Secretary Shirley Higa responded that the Chair had informed Sen. Kim in writing that the matter had been deferred to the August 2005 Board meeting.	RECESS
Executive Director Stephanie Aveiro commented that Chair Sted has requested a chronology of communication and copies of letters from/to Sen. Kim. It will be a discussion item in August with the input of all Board members in the response.	
Director Thompson moved, seconded by Designee Manayan	
That the Board recess at 10:45 a.m. and that it reconvene at 11:00 a.m.	
The motion was unanimously carried.	

Staff's recommendation was presented as follows:

The Board of Directors of the Housing and Community Development Corporation of Hawaii:

- A. Amend the income restrictions for the Kamuela Senior Apartment Limited Partnership as specified in Section II G of this For Action.
- B. Authorize the Executive Director of the HCDCH to take all action necessary to effectuate the purposes of the For Action.

Finance Branch Manager Darren Ueki explained that the Hawaii Island Community Development Corporation of Hawaii (HICDCH) received an allocation of \$330,000 annual federal and \$99,000 annual states credits contingent on all units rented to those earning 40% or less of the area median gross income (AMGI). There are 32 1-bedroom units which are fully occupied.

Mr. Ueki further explained that HICDCH has reported that the project inadvertently rented five units whose residents have income more than 40% but less than 50% of the AMGI which makes HICDCH ineligible to receive Low Income Housing Tax Credits (LIHTC) as the Declaration of Restrictive Covenants cannot be executed. HICDCH will provide a picnic area in an open area with a table and benches due to this error.

Staff had contemplated a financial penalty but concluded that this would be counterproductive as it would take funds away from the project.

Staff recommends an amendment to the allocation of the LIHTC be made to reflect the initial occupancy with residents earning more than 40% and less than 50% of the AMGI and that all future residents earn less than 40% AMGI.

Mr. Ueki also introduced Keith Kato representing HICDCH.

Designee Manayan moved, seconded by Designee Oliva

That staff's recommendation be approved.

Director Smith commented that although she appreciates the discussion and write-up of the For Action, there should be a way to allow staff to be able to approve it itself and not have to seek Board's approval.

Designee Oliva suggested that staff review the language of the restrictive covenant which may be too restrictive and should be revised before executed.

Mr. Ueki stated that the proposed amendment was presented to the Board for approval since the original award was a Board action.

Director Thompson commented that the issue of non-compliance should be directed to the Office of the Attorney General (AG).

Mr. Ueki stated that staff had discussed the matter with the AG's office. He further stated that staff would not have been able to execute the Declaration of Restrictive Covenants (Declaration) as it would be in default due to the non-compliance. If the Board approves the For Action, staff can then execute the Declaration enabling HICDCH to claim the tax credits.

Finance Specialist Dean Sakata noted that one of the criteria of the LIHTC was serving the low-income population. Should the targeted population be changed now, this may have impacted the original award of LIHTC. This is one of the reasons for staff bringing the issue back to the Board in the form of a For Action.

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There being no further discussion on the matter, the motion was unanimously carried.

Project Coordinator Chris Sadayasu explained that Representative Dwight Takamine invited HCDCH to participate in a community-wide discussion about possible affordable housing in the Honokaa area. General discussion about 15.418 acres of undeveloped land which the Hawaii Housing Authority (HHA) acquired in 1993 took place due to its close proximity to the Honokaa Hospital and health care facility with long-term care services.

Executive Director Stephanie Aveiro stated that staff wanted to bring this item on the agenda as a For Information in order to hold an open discussion with the Board on this matter.

Director Linda Smith expressed her concern about the land banking of the parcel since 1993. She stated that she would like to have every parcel identified that the agency has in its inventory as its mission is to provide affordable housing as quickly as possible. As the County may or may not be able to develop it faster than HCDCH, perhaps it should be put out to bid for anyone who may be interested in developing it for affordable housing.

Mr. Sadayasu commented that the area has a steep incline and of the 15 acres, 6-7 acres are on a flat area that would be considered to be developable. Ms. Aveiro added that the land has drawn much interest due to its close proximity to the Honokaa Hospital.

Executive Director Stephanie Aveiro stated that HUD Multi-Family HUB has reported that this year's rating of satisfactory for the Annual Compliance Review (ACR) is a major accomplishment for HCDCH as well as for HUD and the subcontractor Bremerton Housing Authority (Bremerton). There has been significant improvement in this area and HUD is very pleased with the arrangement HCDCH has with Bremerton.

Director Thompson asked about a comment that was made regarding the Management and Occupancy Reviews (MOR) rating where it states that "...we remain concerned that HCDCH's ratings are often higher than deserved." Contracts Administrator Michael Hee stated that two HUD jurisdictions, Seattle and Las Vegas, whose standards may slightly differ, rated HCDCH. Mr. Hee further stated that Bremerton is preparing a response for HCDCH regarding that comment.

Property Management and Maintenance Branch Chief Marilyn Labayog reported on the following:

- Pre-Real Estate Assessment Center (REAC) inspections were done by HCDCH management staff in anticipation of the actual HUD inspections. HUD's inspections ended in June and HCDCH has received increases in passing scores for many of the projects;

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- Received approval from the Attorney General's Office (AG) to write off \$472,784.19 in accounts receivables from the federal public housing; an additional \$137,514.66 is under review by the AG's Office. The amount of receivables is not limited to rental charges but also to damages that were done to the units.

Executive Director Stephanie Aveiro commented that Ms. Labayog had been successful in receiving approval to write off the amounts by contacting the various collection agencies and learning that they had already written off many of the receivables and had no longer attempted to collect.

This is a MOA item and placing residents who are willing to pay in a timely manner in vacant units is a priority. A newly implemented rule makes an eviction immediate and not having any appeals hearing has hastened the process.

Director Thompson referred to the REAC scores and expressed his concern that Maui is on the bottom of the list. Management needs to be aware of the low ranking. Ms. Aveiro agreed that this reflects poor management.

In response to Director Smith's query regarding the waiting list, Ms. Labayog stated that staff is purging the wait list to get a true count of the people who are waiting for housing. As the list currently has approximately 13,000 - 14,000 names, it is hoped that by the beginning of next year the purging will be done.

Housing Development Section Acting Chief Tom Otake reported that Castle & Cooke Homes Hawaii, Inc. (Castle & Cooke) was selected as the preliminary developer of the three parcels within the Villages of Kapolei. In their proposal, Castle & Cooke proposes to build affordable units of which 287 will be rental and 205 units for sale. Negotiations of the development agreement has started and will be brought back to the Board for approval when the terms are finalized.

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Mr. Otake expressed appreciation to his staff, Stan Fujimoto, Chris Sadayasu and Leonell Domingo whose joint efforts made it possible to issue the award of proposal so quickly.

In accordance with procurement procedures, debriefing sessions were held for two entities whose applications were not selected. Although one applicant had indicated that they would challenge the decision, they decided not to proceed with the challenge.

Designee Oliva asked Mr. Otake to address the comments in the letter from the developer who had considered challenging that the selection process.

Mr. Otake stated that the main issue was that the criteria of the minimal usage of state funds as Castle & Cooke's proposal included using the competitive tax credits. However the non-selected vendor had proposed to use non-competitive tax credits and a loan from the Rental Housing Trust Fund. Based on the criteria of minimal usage of state funds and other factors, the Selection Committee made a selection recommendation.

Executive Director Stephanie Aveiro added that the letter did contain good suggestions for future awards such as allowing a presentation to be made to either the Selection Committee and/or Board since the scoring was so close. A presentation would have been beneficial to all parties.

Mr. Otake continued with his status report on Uluwehi which received only one submittal as a result of the Request for Proposal (RFP) that was issued. The Selection Committee will review the application and make its recommendation to accept it or issue another RFP.

Project Coordinator Chris Sadayasu then presented a power point presentation to share with the Board the condition of the buildings prior to the demolition which has since been completed. The pictures depicted burned buildings, walls which lacked steel re-bars for reinforcement; several layers of canec-type material for flooring; flooring that separated from the walls; as well as the presence of asbestos.

Mr. Otake stated that since the demolition, the area has been protected by concrete barriers as well as a chain link fence.

Director Smith commented that the vacant area should be developed as quickly as possible and asked how soon can the determination of the sole applicant be made in order to proceed with the development.

Project Coordinator Stan Fujimoto stated that the targeted date for selection is October 2005.

Director Smith asked if there was any possibility of an earlier date.

Executive Director Stephanie Aveiro stated that August 2, 2005 is the day that the selection committee will meet for orientation. Although staff recognizes that the area has a severe shortage of shelter for the homeless, the surrounding residents of the area have been very explicit that this is not acceptable to them. Due to this sentiment, the selection committee for this project is comprised of herself, a representative from the surrounding homes, a member from the Waianae Neighborhood Board, a homeless advocate, members from HCDCH Finance Branch, Development Section and a CPA.

Director Smith asked if a preliminary determination of the sole applicant has been made regarding the financial and managerial capability before it is presented to the Selection Committee.

Mr. Fujimoto stated that although the applicant does not have any experience in development and proposed funding will need to be obtained, they have a lot of good intentions. A large component of the proposed funding is capital improvement funds (CIP), Community Development Block Grant (CDBG) funds or from non-profit foundations. Should CIP funds be requested, HCDCH may need to be the lead or the Legislature may grant the CIP funds through a grant-in-aid which would then allow the applicant to be the lead party.

Ms. Aveiro added that it is a community endeavor by the Waianae residents. Discussion with Charlie Ridings of Maui who successfully developed a transitional and affordable housing on Maui have been held. She further stated that the criteria set in the RFP was for a mixed use comprising of emergency, transitional and affordable housing. Although the surrounding residents are amenable to the transitional and affordable housing, they are very adamant that an emergency shelter not be built.

Mr. Otake continued with the status of Crown property which is the last large undeveloped non-ceded land consisting of six acres. An RFP is being drafted and staff will conduct a community meeting with residents of a large senior housing project located next to the site. With the exception of the Honokaa property previously discussed, this would be the last large property scheduled for development with a possibility of about 150 units. Mr. Fujimoto stated that the draft RFP is similar to the Villages of Kapolei with the objective to obtain the maximum number of affordable units together with the minimum usage of State resources.

Mr. Otake further reported on the status of the undivided non-ceded parcel next to the Villages of La`i`opua by stating that a meeting has been scheduled for August 3 with Peter Young of DLNR, Micah Kane of DHHL, Stephanie Aveiro and Directors Smith and Jung to discuss the possibility of DHHL transferring the non-ceded parcel to HCDCH for possible development.

Regarding Kuliouou 17 vacant lots to be sold in an "as is" condition, Mr. Otake reported that staff received approximately 19 inquiries thus far however no offers to purchase have been received. The property located next to these lots, had two offers which both subsequently were cancelled.

Real Estate Section Sales Coordinator Marcia Kamiya stated that the second purchaser had cancelled as the cost of a soils report of approximately \$26,000 was not feasible should the buyer not be allowed to build multiple units.

Director Smith suggested that staff combine the 18 lots and advertise them in an "as is" condition with no requirement of a soils report. Should this fail to attract buyers and a sale, then staff should look at the option of paying someone to take the properties from the agency in order to remove it from its inventory.

Continuing with his report, Mr. Otake reported that the Kapolei interceptor sewer line has been completed and final inspections and acceptance by the City and County is moving forward. Additionally, traffic signals, crosswalks and signage have been installed and are ready for acceptance by the City.

Two bills which recently passed have enabled the traffic enforcement to be done by the Honolulu Police Department and allows the City & County to tow cars away from the property which will alleviate much of the daily problems related to towing of cars.

Maui County's request for a Right of Entry to the Villages of Leiali'i for parking has been finalized. In response to Director Thompson's query regarding any form of payment for this transaction, Mr. Fujimoto stated that there was none however the County is aware that this arrangement can be cancelled at any time by HCDCH as the sewer capacity issue will need to be addressed in the future.

Mr. Otake also stated that although two bills which recently passed have enabled the use of the Dwelling Unit Revolving Fund (DURF) to be used as permanent financing, the Pacific Housing Assistance Corporation (PHAC), developer for the Senior Residence at Iwilei, has yet to inform HCDCH as to what it intends to use - - DURF financing or funds from the Rental Housing Trust Fund. Mr. Fujimoto added that the DURF conditions expire August 31, 2005; the developer would then have to request for another extension for DURF or approval of a revised financing plan.

Mr. Fujimoto added that the set aside from DLNR has been approved by its Board (BLNR) and is currently going through the necessary paperwork process. BLNR has not yet approved the easement that is also required for the project.

Regarding Senate Concurrent Resolution (SCR) 178 which requests HCDCH to rescind its transfer agreement with DHHL, Ms. Aveiro stated that it will be on the agenda for the Board's consideration at the August Board meeting in Honolulu.

Executive Director Stephanie Aveiro stated that staff wanted to share with the Board the activities of the Construction Management Section (CMS) as this is where the extraordinary maintenance, capital improvements, and other related type of maintenance/repair work is managed.

CMS Section Chief Edmund Morimoto reported on the federally-assisted projects under the Capital Fund. Modernization work is currently ongoing at Kalihi Valley Homes, Phases 2 and 3A, Lanakila Homes Phase 2b. Ka Hale Kahaluu in Kona is currently having the design work done.

Mr. Morimoto highlighted projects that are targeted for extraordinary maintenance which involve the entire project rather than individual units. One example was roof repairs for projects in Kona. Costs for these projects are estimated to be \$500,000 - \$2,000,000.

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Mr. Morimoto then reviewed the projects which are eligible for modernization under HUD standards. HUD deems a project eligible for modernization if it is 20 years or older. All units within the project can then be modernized for another 20 years using federal funds.

Completed projects were also briefly reviewed as well as other non-construction projects using capital funds. One project involves partnership with the City & County of Honolulu for job training for the public housing residents that has been very successful. The Kalihi community was targeted and had identified 2500 kids. 485 kids had signed up for the program. The Laborer's Union currently accepted 8 kids into their program. Seventy-three people have also been placed in jobs. HUD has recognized this program and has used this as a model in Guam.

Director Thompson asked that in the next report, CMS include the schedule and the value of each project.

Vice Chairman King asked about the design work for modernization of Phase 3B of Kalihi Valley Homes indicates that it may be stopped.

Mr. Morimoto answered that HUD has a Total Development Cost (TDC) or cap on how much HCDCH can spend on a single project. The TDC is set by the U.S. Congress; the last significant increase was in 1999. Since then, the TDC which is based on land and construction costs, has increased 18% to date. Ms. Aveiro added that the work is not being done for lack of funds, but rather lack of a higher cap.

Director Thompson moved, seconded by Designee Manayan

EXECUTIVE  
SESSION

That the Board of Directors meet in Executive Session at 12:40 p.m.

The motion was unanimously carried.

\* \* \* \* \*

There being no further business to come before the Board, Director Thompson moved, seconded by Designee Manayan

ADJOURN-  
MENT

That the meeting be adjourned at 1:46 p.m.

The motion was unanimously carried.

\_\_\_\_\_  
LILLIAN B. KOLLER  
Secretary

Approved: